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Canada. Task force on agriculture
British Columbia position paper
concerning the federal task force
report on Canadian agriculture

BRITISH COLUMBIA POSITION PAPER

CONCERNING THE FEDERAL TASK FORCE REPORT ON CANADIAN AGRICULTURE

Prepared by British Columbia Department of Agriculture, British Columbia Federation of Agriculture and Representatives of the British Columbia Farmers Union.

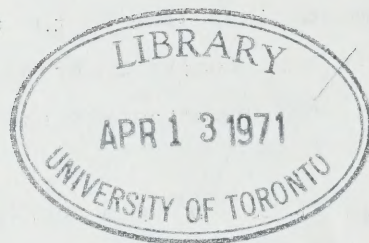
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British Columbia is unique among western Canadian provinces in having a highly diversified farm economy. Because of the wide diversity of products grown, the pocketed nature of our agriculture, and difficulties associated with operating in a basically industrial economy, British Columbia farmers have some special problems which are not well accommodated by federal government policies. We are very much concerned about some of the recommendations made by the Canadian Agricultural Task Force and are taking this opportunity to bring to your attention those points which we consider most important to the future of agriculture in this province.

Generally speaking, it is our view that federal policies should provide incentives that will encourage development of all resources which are economically feasible and can make a useful contribution to society. We favour the concept of parity of opportunity for all farm sectors with other Canadian industries. We also favour maximum encouragement to self-help by farmers and the minimum of government intervention over the long term.

FEED FREIGHT ASSISTANCE

British Columbia is apprehensive about the possible loss of federal feed freight assistance without some alternative measure to relieve transport costs to grain users in this province. Removal of feed freight assistance in British Columbia would leave the livestock and poultry industries as well as the feed grain industry in a completely untenable position. It is our view that until measures are made available to allow livestock and poultry producers the opportunity to achieve an equitable position with producers in other parts of Canada, withdrawal of the present Feed Freight Assistance Policy, as recommended by the Task Force, should not be considered.



The Agricultural Economics Research Council of Canada report entitled "The Benefits and Burdens of the Feed Grain Transportation Policy" points out the many national benefits derived from the use of feed grains in non-prairie provinces. It further suggests that substantial losses to the Canadian economy could be expected if feed freight assistance were eliminated. Feed freight assistance was introduced as an equalizer to offset some of the subsidization given to prairie farmers in order to encourage development of their grain economy. The assistance was valid when it was introduced and is just as valid now.

Until some satisfactory alternative such as the Crows Nest Pass rate is applied to grains moving to feeders in British Columbia, it is not reasonable to consider removal of the present feed freight assistance.

NATIONAL MARKETING LEGISLATION

(Under the auspices of B.C.)

British Columbia commends the federal government for initiating early action to implement the Task Force recommendation for the development of national marketing legislation. This legislation, if properly used, could be a tremendous stabilizing influence on the presently unsteady Canadian marketing structure. However, we view with concern certain proposals in the legislation recently placed before the Agricultural Committee of the House of Commons. This legislation provides for Governor-in-Council appointments to national marketing agencies rather than farmer-elected representatives to such agencies. Experience with agricultural marketing legislation in British Columbia, which is of longer duration than elsewhere in Canada, strongly suggests that the role of government should be to provide legislation which will allow the elected representatives of farm groups to manage their own affairs within a framework established by a National Agricultural Marketing Council. The Council would provide the necessary liaison with government. We hope that this legislation will be altered to accommodate this principle before it is passed as law.

INTERNATIONAL TRADE AND PROTECTION AGAINST DUMPING

Recommendations in the Task Force report, together with the apparent trend in federal thinking towards free trade in agricultural commodities also causes concern in British Columbia. This province,

because of its close proximity to large food-producing areas in the western United States and Mexico, is particularly vulnerable to dumping of surplus products. Even a small surplus from these areas dumped in our traditional domestic markets will seriously affect and probably eliminate some of our presently viable operations. Because of the lateness of our cropping season, our peak production in many commodities coincides with "clean-up" operations on the same commodities to the south. Their clean-up, if directed to Canada, can impart substantial hurt to British Columbia producers. The same kind of damage is done by low price quotation from these areas, even though actual quantities shipped may be small. Horticultural enterprises are among the most vulnerable in this regard, although the marketing of Canadian poultry products, lamb and several other commodities is also seriously affected by surpluses from other countries. With poultry products, the surplus offerings result from periodic surpluses in foreign production.

Freeing of the Canadian dollar and the subsequent loss of the eight per cent currency differential in terms of the American dollar has had the same effect as a reduction in tariff protection. This has further aggravated an already difficult position for several commodity groups.

As an overall guiding principle, we suggest that any future increases in food imports should be limited by a small annual percentage increase based on an average of import quantities of recent years and tied to a percentage of the increase in the markets available. Any further moves in the direction of Free Trade should not be made without great care and maximum prior consultation with affected industries, and without consideration being given to bilateral or multi-lateral trade agreements to provide the necessary protection. The Task Force has acknowledged that some provinces would be more affected by agricultural free trade policies than others. British Columbia is one that would be substantially affected and would be among the first to seek compensation from the federal government on behalf of those industries that would be damaged by free trade policies.

Artificial trade barriers imposed by several countries are also of concern to British Columbia. The Japanese policy of preventing entry of Canadian apple shipments to Japan under the guise of protection against

entry of codling moth is an example of this type of barrier. We urge the federal government to initiate action in breaking down such artificial trade barriers. We also urge a continuing review of the need for tariff protection on several commodities which are not now protected. The Canadian nursery industry is one which needs immediate attention.

Canadian tariffs against many imported agricultural input items, particularly when they are not available in Canada, should be lowered to allow Canadian producers to buy their inputs at prices similar to their competitors from the countries where these items originate.

Quick relief for farmers from dumping or injury from low-priced imports is a distinct need in this province. The "value-for-duty" system which has been used in Canada for many years has not been effective in protecting farmers from injury, because by the time such duty was applied, much of the injury had already occurred. Even though the new surtax provisions of the "Customs Act" are now available and could be used to provide the necessary protection, there is need for introduction of a formula which would automatically increase the prices of foreign products at shipping point whenever quoted prices threaten to undermine existing Canadian prices. Until such mechanics are implemented, the current anti-dumping legislation will be no more effective than the old value-for-duty provisions.

In our opinion, prices of imports should be based upon prices received by producers in the country of origin during their peak marketing period and not on prices received during their "clean-up" period. The customs surtax should also include costs of handling and transportation. British Columbia urges the federal government to initiate early discussions to develop a formula for applying this much-needed protection.

MARKETING RESEARCH

We are pleased to see the Task Force recommendations for increased emphasis and activity in marketing research and market development. Action in this field is long overdue. However, there is a danger of waste and conflict resulting from the recommendations as made. We see a distinct need for orderly program development as well as co-ordination of effort and expenditures in agricultural marketing research.

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Because of several current pressing problems in the marketing of agricultural products, many agencies have already stepped up their activities and expenditures on market research. This is a good trend and is being done with best intentions, but in many instances it is being done without regard to national program planning. The momentum of marketing research is growing so rapidly and on so many fronts that national co-ordination of both research activities and expenditures seems highly desirable.

British Columbia recognizes a special need for marketing research in the Pacific Rim countries, and believes that commodity groups should be encouraged to explore these markets in a co-ordinated way.

There is, too, a need for research in the area of price spreads between what consumers pay for food products and what producers receive for those products. This latter research may well expose the most basic problem in the agricultural industry.

AGRICULTURAL RESEARCH

British Columbia holds the view that there is a need for more Canadian agricultural research. We wish to stress the need for continuation and expansion of an integrated program of basic physical and biological research. In addition, Canada should develop a substantial program of applied research to bridge the present gap between basic research and action on the farm. There is in Canada a distinct lack of problem-oriented and industry-oriented applied research. We hope that the Task Force recommendation on this subject will set the stage for expanding this and other phases of agricultural research activity.

British Columbia strongly supports the Task Force position that agricultural industries, both primary and secondary, should participate as a major force in Canadian agricultural research and development. We are concerned, however, with the apparent federal withdrawal of support for regional research institutions. Because this province has so many micro-climates and crops not duplicated elsewhere in Canada, we need "on-site" research to accommodate them and to develop new possibilities not previously contemplated in this country.

BROADENING CANADA'S AGRICULTURAL BASE

We believe that the agricultural possibilities in Canada are substantially greater than those attained to the present time. We therefore feel that more attention and encouragement should be given to innovation and change. If Canada can broaden its agricultural base through the introduction of new crops and new food and fibre products, we will be better able to cushion the shock of depressed markets, crop losses, and other adversities. We are therefore disappointed to note that the Task Force has overlooked the potential of new alternatives to present production practices. British Columbia is unique in having many opportunities in this regard, but it seems probable that all provinces have some opportunities for production for crops or livestock not presently being realized.

We are disappointed too in the failure of the Task Force to analyze the production and marketing possibilities for several already important commodities. Sheep, small seeds, honey, horticultural nursery crops, greenhouse crops, mushrooms and a host of fruit, vegetable and specialty crops have been overlooked as having expanding opportunities for production. In British Columbia, for example, we have more than a dozen fruit and two dozen vegetable crops grown on a commercial scale. Although some of these sectors may be small in terms of the major sectors, their aggregate value is significant. Christmas tree and woodlot farming, expanded productivity and use of Canada's rangelands and a host of other possibilities should not be overlooked as potential earners of foreign exchange on export markets.

CROP INSURANCE

British Columbia favours centralization of certain crop insurance activities. It is difficult for many provinces, including British Columbia, to develop a broad enough base for writing insurance coverage. One of the fundamental principles of underwriting insurance risk is that the risk must be well spread over time, numbers, or distance. This we cannot do. Our risk is poorly spread because of the pocketed nature of our agriculture. On a bit broader scale, we believe this is true for all Canadian provinces. Instead of having nine or ten different programs for grain crops across Canada and three or four different programs for apples,

for example, it is our view that the insurance base should be broadened by having one Canadian program for each production area. Program research, ratemaking, funding and possibly other aspects should be centralized in the interests of avoiding duplication of these functions from province to province. The provinces should remain responsible for local field administration.

The federal government should consider too the possibility of integrating a price stabilization program with present crop insurance programs so that farmers could pay one premium to cover both crop failures and market price disasters. Coverage provided in programs of this kind should reflect any changes in the purchasing power of Canadian currency.

SUBSTITUTE FOODS AND MISLEADING ADVERTISING

In spite of the present upsurge of substitute foods, little attention has been given to the impact these are having or are likely to have on Canadian agriculture in the future. The appearance in the marketplace of increasing numbers and array of food substitutes is, in itself, a point of major concern to producers of natural food products.

But the use of misleading advertising for artificial or substitute foods is of even greater concern and should receive corrective attention from the federal government immediately. The main problem is that substitute foods are often portrayed, by inference or pictures or in other ways, as being natural foods. We acknowledge that there are some safeguards against food adulteration and food standards, but these safeguards do not extend into the advertising field to any extent. It is apparent that the power to control misleading advertising of food products rests with Consumer Affairs, but we do not feel that any effective steps have been taken in Canada to correct or prevent misleading advertising of food products. We therefore look forward to early action by the Federal Government to correct and prevent the kind of advertising which portrays artificial foods as being products of the agricultural industry.

In British Columbia's view, all products of synthetic origin should be prominently labelled as "artificial", with actual contents clearly stated on the labels. All imported agricultural products should be

prominently marked to indicate the country of origin. They should be rigidly inspected for grade at destination and should comply with Canadian grade standards.

FARM CREDIT

British Columbia subscribes to the farm credit suggestion made by the Ministers and Deputy Ministers of Agriculture at their 1969 Conference. The suggestion is that the federal government introduce an element of decentralization into its present farm credit system. This proposal would allow options as follows:

- (1) The continuation of present Canadian Farm Credit systems in provinces so wishing.
- (2) The opportunity for any province to have its own credit system within a framework of support from the federal government.
- (3) The opportunity for any province to choose a system of guarantees, discounts or other financial backing for approved agencies operating within that province without direct loan participation by federal agencies.

Provinces choosing alternatives (2) or (3) above should expect to accept guidelines as follows:

- (a) Federal representation on the provincial supervisory body.
- (b) Sharing by the province in the residual loss of any funds which may be advanced, guaranteed or rediscounted through the federal system.
- (c) An understanding that provincial developments under option (3) above will not interfere with the general needs of the federal credit system elsewhere. British Columbia also subscribes to the suggestion that federal funds be appropriated either directly or through a provincial system for research into new styles of farm credit.

There is in British Columbia a special need for low-interest long-term credit to accommodate the time required to develop such long-term enterprises as orchards, vineyards and other perennial crops. There is also need to increase the present Farm Credit Corporation maximum of \$55,000. to accommodate the substantially increased capital requirements of a modern farm operation. The same must be said of the \$15,000. limit on Farm Improvement Loans.

Eligibility for farm loans should place more emphasis on the ability of the operators. The present basis of equity should not be the sole criterion for loan approval.

The agricultural credit needs of first receivers of farm products should not be overlooked. This segment of the industry is not well accommodated by present credit policies; it needs long-term financing in sizeable amounts.

One additional need in Canada is legislation requiring uniform interest rates on farm loans in all parts of the country. Present disparities in rates of interest among provinces create unfair competitive situations among farm producers from province to province.

PRODUCER EXPORT DEVELOPMENT CORPORATION

British Columbia suggests that the Government of Canada establish a producer export development corporation funded and managed by the Bank of Canada with one director appointed by each Province. This corporation would encourage agricultural trade developments which are not presently accommodated by the existing Canadian Development Corporation or by the trade commission services offered by Industrial Development, Trade and Commerce.

The purpose of the fund would be to make it possible for producer organizations to obtain money for export development.

With low-interest money available, producer groups could compete in establishing long-term contract arrangements with developing countries and other markets, thus doing away with the need of many subsidy payments and adding incentives that would help get the economy moving again.

Without this, Canada can only expect to slip further back in competition with other nations that make low-interest money available for export opportunities and unemployment will continue to rise.

DEFINITION OF A FARM

British Columbia agrees with the Task Force suggestion that there is a need for farm classification that will accommodate policies directed towards both the non-viable and viable sectors of agriculture. A single classification with a general policy may suit one segment but is unlikely

to suit the other. Subsidies which are now paid out to the non-viable segment in the name of agriculture are really social benefits and should be so labelled.

Commodity supports are of little value to the part-time, marginal or new entrant producer because they have insufficient volume of product to earn support monies which would have any impact on their incomes. These operators should receive their assistance by means of a policy that recognizes the total farm as a unit.

We suggest that federal policies which involve price supports or other commodity considerations be designed to direct these policies at farms with gross annual commodity returns of at least \$5,000. Consideration should be given to a further requirement that the commercial farm operator must receive or anticipate receiving more than 50% of his gross annual income from the farm.

We also wish to stress that there is a continuing need for research and extension support for the commercial sector to keep it viable and for the marginal sector to enable it to become viable.

SUBSIDIES

One very undesirable aspect of subsidies is that they often create production which is marketed in direct competition with viable self-supporting industries. As a result, the previously viable industry often ceases to receive adequate returns for its production and it, too, is in trouble. Some recent examples of this are seen in subsidies paid to develop food processing plants in special areas of Canada under regional assistance programs. Production from some of these subsidized plants is now being marketed in direct competition with production from non-subsidized British Columbia plants. This places the B.C. plants in an unprofitable position as a direct result of a federal subsidy program.

On the matter of dairy subsidies, British Columbia holds the view that the present direct subsidy policy encourages small, inefficient dairymen to continue producing low-quality milk which is eventually held in costly storage as butter or powder. These subsidized products compete directly on the market with high quality products coming from viable producers. It is suggested here that quality requirements for all Canadian

milk be substantially increased and that the direct dairy subsidy policy be redefined so that it will recognize top quality dairy products as the basis for subsidy.

FOREIGN OWNERSHIP OF PROCESSING PLANTS

The Task Force estimates that over 70 percent of the annual Canadian pack of fruits and vegetables is processed in American-owned processing plants. The report goes on to say that the parent companies of some of these firms appear reluctant to use in Canada the advanced machinery and technology used in their American plants.

These are serious findings in themselves, but one aspect not raised in the Task Force report is the effect of this foreign ownership on Australian and New Zealand export policies. Recent statements by officials from these countries have indicated that they are reluctant to tailor their exports of canned fruits and vegetables to Canada to help Canadian producers when such a large proportion of our pack is from plants controlled by the United States. We expect that the "down-under" countries would be more inclined to co-operate if our plants were owned by Canadians.

The horticultural and dairy processing industries in British Columbia have been involved in this foreign take-over to some extent. For this reason, we ask the federal government to initiate an immediate study to determine the various implications of the take-over of this important Canadian industry. We urge too that national policies be developed to reverse this trend.

FARM MACHINERY

There is need for a national farm machinery policy in Canada. This province believes that farm machinery manufacturers should be responsible for providing technically competent field staff to train dealers and farmers in the efficient use of their equipment. They should also be responsible for establishing and maintaining a supply of replacement parts and servicing centres in all major areas of crop and livestock production. Such supply should be maintained for a period of time consistent with the normal life of any given machine. There is need for

standardization of farm equipment as well as minimum change in design from year to year.

More consideration should be given in Canada to the development of labour-saving machinery for specialty crops. Existing machinery companies are not likely to undertake the research required to develop machines for these crops. Such research should be encouraged as a joint undertaking by government, university and industry groups. Some orderly arrangement for the holding of patent rights on such specially-developed machinery should be developed.

Machinery costs account for approximately fifty percent of Canadian agricultural production costs. Yet only 2.9% of the federal research budget is expended for machinery research. There is clearly a need to augment these expenditures.

FAIR RETURNS

The generally accepted concept of fair returns is that level of income which enables the efficient primary producer to pay for his production costs plus enough to yield a normal percentage on his capital investment and, ideally, a wage commensurate with his labor input as well. Unhappily, in too many instances such returns are not being realized. Therefore it becomes imperative, if we are to achieve and maintain a well-balanced economy, that policies and programs be shaped to provide the means whereby efficient production and marketing may be stimulated on the widest scale possible.

Although British Columbia farmers have achieved high gross incomes by Canadian standards, like their counterparts elsewhere they are faced today with increasing costs of the things they must buy coupled with relatively static, or in some cases with even declining prices for the things they have to sell.

As a group they are prepared to accept the fact that marketing costs must rise under inflationary pressures, but it is particularly galling to encounter consumer resistance to rising food prices accompanied by demands that they accept constant or lower returns as their share while the marketing share goes steadily upward.

To overcome this problem our farmers have adapted new technologies and management techniques to their operations to a remarkable degree. In spite of their best efforts they now find the spread between what they receive for the food they produce and the price the consumer pays for that food steadily widening. Reductions in producer prices are seldom reflected by similar reductions in consumer prices. In this connection, an expanded public information program to inform consumers of the spread between producer returns and the prices consumers pay would be very revealing.

Compare the differences in the following table between the producer and the marketing share of selected items in the years 1949 and 1966:

COMMODITY	1949		1966	
	MARKETING SHARE	FARM SHARE	MARKETING SHARE	FARM SHARE
Wheat-into-bread	77%	23%	88%	12%
Beef	31.5%	68.5%	46%	54%
Pork	34%	66%	42%	58%
Fluid Milk	42.5%	57.5%	47%	53%
Eggs, Grade A Large	18.5%	81.5%	30%	70%
Chicken Broilers	37%	63%	42%	58%
Potatoes	56%	44%	57%	43%
Canned Tomatoes	80%	20%	83%	17%

Obviously, any corrective measures taken by the federal government to alleviate or correct this and related problems must entail policies well beyond those enunciated by the Task Force. Our primary concern then is that the Task Force recommendations shall not inhibit or negate such measures.



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